Country-by-Country Reports

India and the US can now exchange **country-by-country (CbC) reports** filed by the ultimate parent corporations based in either of the countries.

- That is, the Companies headquartered in the US but having operations and taxability in India **now need not file country-by-country (CbC) reports in India.**
    For such international companies, **filing CbC reports in the US would be sufficient.**
- This will **reduce the compliance burden** on their subsidiaries operating out of these countries.

Background

- The Income-tax Act requires Indian subsidiaries of multinational companies to provide details of key financial statements from other jurisdictions where they operate.
- This provides the I-T Department with better operational view of such companies, primarily with regards to revenue and income tax paid.
- The provision was a **part of the Base Erosion and Profit Shifting (BEPS)** action plan, and **later incorporated in I-T Act also**.

Base Erosion and Profit Shifting (BEPS)

- BEPS is a term used to describe **tax planning strategies** that **exploit mismatches and gaps that exist between the tax rules of different jurisdictions.**
- It is done to **minimise the corporation tax** that is payable overall, by either making tax profits 'disappear' or s**hift profits to low tax jurisdictions where there is little or no genuine activity.**
- In general BEPS strategies **are not illegal; rather they take advantage of different tax rules operating in different jurisdictions.**
- BEPS is of major significance for developing countries due to their heavy reliance on corporate income tax, particularly from multinational enterprises (MNEs).
- The BEPS initiative is an **OECD** initiative, approved by the **G20**, to identify ways of

providing more standardised tax rules globally.